

Exhibit 2

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

AMBAC FINANCIAL GROUP, INC.

Debtor.

Case No. 10-15973-scc
New York, New York
November 27, 2012
10:13 a.m. - 10:30 a.m.

TRANSCRIPT - CASE 10-15973-SCC - CHAPTER 11

FIRST APPLICATION OF HOGAN LOVELLS US LLP AS ATTORNEYS FOR
THE DEBTOR FOR ALLOWANCE OF INTERIM COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE
PERIOD APRIL 18, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1106];

FIRST APPLICATION OF SHEARMAN & STERLING LLP AS ATTORNEYS FOR
THE DEBTOR FOR ALLOWANCE OF INTERIM COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE
PERIOD MAY 29, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1121];

FIRST INTERIM APPLICATION OF MAYER BROWN LLP, AS SPECIAL
CORPORATE COUNSEL TO THE DEBTOR, FOR COMPENSATION AND
REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD FROM APRIL
12, 2012 THROUGH AUGUST 31, 2012 [DOCKET NO. 1108];

THIRD INTERIM APPLICATION OF WHYTE HIRSCHBOECK DUDEK S.C. AS
SPECIAL COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED
CREDITORS FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES
INCURRED FOR THE PERIOD APRIL 1, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1105];

FIFTH INTERIM APPLICATION OF LAZARD FRERES & CO. LLC AS
FINANCIAL ADVISOR AND INVESTMENT BANKER FOR THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS FOR COMPENSATION AND
REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD APRIL 1,
2012 THROUGH AUGUST 31, 2012 [DOCKET NO. 1104];

(Agenda Continued)

FIFTH INTERIM APPLICATION OF MORRISON & FOERSTER LLP AS
COUNSEL FOR THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR
COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE
PERIOD APRIL 1, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1103];

FIFTH INTERIM FEE APPLICATION OF WACHTELL, LIPTON, ROSEN &
KATZ AS SPECIAL COUNSEL TO THE DEBTOR FOR INTERIM ALLOWANCE
FOR SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED
FROM APRIL 1, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1102]

FIRST APPLICATION OF WINSTON & STRAWN LLP, AS SPECIAL COUNSEL
TO THE DEBTOR, FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES
FOR THE PERIOD MAY 9, 2012 THROUGH AUGUST 31, 2012

[DOCKET NO. 1096];

THIRD INTERIM FEE STATEMENT OF PRICEWATERHOUSECOOPERS LLP,
ACCOUNTING AND VALUATION ADVISORS TO THE DEBTOR, FOR
COMPENSATION FOR SERVICES AND FOR REIMBURSEMENT OF EXPENSES

[DOCKET NO. 1101];

FIFTH FEE APPLICATION OF KPMG LLP, AS AUDITORS, TAX
CONSULTANTS AND BANKRUPTCY ADMINISTRATION CONSULTANTS TO THE
DEBTOR AND DEBTOR IN POSSESSION, FOR INTERIM ALLOWANCE AND
COMPENSATION FOR PROFESSIONAL SERVICES RENDERED AND
REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES INCURRED FROM
APRIL 1, 2012 THROUGH AUGUST 31, 2012 [DOCKET NO. 1098];

THIRD INTERIM FEE APPLICATION OF BUTTNER HAMMOCK & CO. P.A.
AS LITIGATION CONSULTANTS FOR THE DEBTOR FOR INTERIM
ALLOWANCE OF COMPENSATION FOR PROFESSIONAL SERVICES
RENDERED AND EXPENSES INCURRED FROM APRIL 1, 2012
THROUGH AUGUST 31, 2012 [DOCKET NO. 1099]; AND

(Agenda Continued)

FIFTH APPLICATION OF BLACKSTONE ADVISORY PARTNERS L.P. AS
FINANCIAL ADVISOR TO THE DEBTORS FOR INTERIM ALLOWANCE OF
COMPENSATION FOR ACTUAL AND NECESSARY SERVICES RENDERED AND
REIMBURSEMENT OF ACTUAL AND NECESSARY OUT-OF-POCKET EXPENSES
INCURRED FOR THE PERIOD OF APRIL 1, 2012 THROUGH
AUGUST 31, 2012 [DOCKET NO. 1100].

APPEARANCES ON BEHALF OF

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(Proceedings recorded by electronic sound recording)

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1 I'm sorry, Your Honor, we did have one other
2 application with respect to Shearman & Sterling. With respect
3 to those objections, that begins on page 20, paragraph 40. They
4 agreed to reduce their transitory timekeepers by \$750.50. And
5 they provided time records to review, and that's acceptable.
6 They're also taking a further reduction for the \$40 in word
7 processing, and \$123.75 for word processing and proofreading
8 expenses.

9 THE COURT: Okay. Thank you.

10 MR. KLEIN: Good morning, Your Honor --

11 THE COURT: Good morning.

12 MR. KLEIN: -- Aaron Klein. Morrison & Foerster for
13 the Committee.

14 Your Honor, we did have some substantive discussions
15 earlier with the Office of the United States Trustee regarding
16 our fee application. I think the issues that are still on the
17 table are the objection to the so-called transitory timekeepers.

18 THE COURT: Mm-hm.

19 MR. KLEIN: Those timekeepers that throughout the fee
20 period billed less than five hours. And also we have still some
21 open items with respect to review of our retained professionals'
22 fee applications.

23 If I can address the timekeepers' issue first; we
24 acknowledge the position of the United States Trustee with
25 respect to writing off time billed by those timekeepers that are

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1 less than five hours. We understand that's written into the
2 proposed rules for the United States Trustee fee guidelines that
3 are not yet in affect. Our position is this -- and we're
4 definitely willing to be reasonable about who we can write off
5 and who we don't wrote off.

6 Our position is there were certain issues in this case
7 which required us to consult certain professionals who were not
8 regular timekeepers on this case. The U.S. Trustee has
9 identified I think five of them, and I can go through each one
10 of them and say why they made a valuable contribution to the
11 case.

12 I think, taking it down the line, they mention Barbara
13 Mendelson who's a partner in our Corporate Department at
14 Morrison & Foerster. We had an issue with a Bermuda entity. We
15 wanted -- the Debtor wanted to liquidate.

16 THE COURT: Let me stop you because this is a topic on
17 which I have an opinion that Mr. Masumoto may or may not have
18 had the pleasure of hearing from me before. A transitory
19 timekeeper generally, as it's come to be called, is someone that
20 as you say bills fewer than -- I don't know what the particular
21 cutoff is -- ten hours/five hours; some small amount of hours.

22 There are two kinds of such timekeepers. One, the
23 kind that you're describing, which is you have a discreet issue
24 that only requires someone to think about it for an hour; some
25 arcane issue of the law, a foreign jurisdiction, a tax issue,

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1 something of that sort. So somebody who works full time on the
2 case goes to that person and says, hey, I want to pick your
3 brain on this issue, and you talk. And then you say to the
4 person, bill .5 to Ambac. Here's the number and that's it.
5 That's compensable. Whether it's .5 or whether it's five,
6 that's compensable because that person's given their expertise.

7 What's not compensable is junior associate is on
8 vacation so another junior associate gets asked to do some task,
9 or a paralegal is on vacation, and another paralegal gets asked
10 to do a task. And part of that person's time is spent making up
11 for the fact that the other person really isn't there. Those
12 are the kinds of transitory timekeepers that frankly
13 professionals should bill off by themselves without having to be
14 prompted by the U.S. Trustee.

15 So the only thing that I'm interested in is which is
16 which and that's the way it needs to be resolved. So if you
17 want to go through each of them we're rapidly getting to the
18 point that this is going to cost more than what you're writing
19 off, which is another one of my pet peeves.

20 MR. KLEIN: Agreed, Your Honor. I can represent to
21 the Court that each of these are senior level people, where we
22 went to them with discreet issues of law for the very purpose of
23 picking their brain, as opposed to a junior associate --

24 THE COURT: All right. So to the extent that the U.S.
25 Trustee has a continuing objection to those timekeepers, it's

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1 overruled. Okay? And then what's the other category?

2 MR. KLEIN: The other category, Your Honor, is review
3 of our own fee applications, billing for the time taken for our
4 fee applications, and also the fee applications of our retained
5 professionals, Lazard and Whyte Hirschboeck. The United States
6 Trustee noted in his objection that you can't -- it's
7 impermissible to bill for manipulation of time records or review
8 of time records.

9 THE COURT: Not manipulation. That's an unfortunate
10 choice of words.

11 MR. KLEIN: Sorry. Pardon me, Your Honor. For
12 revision or review of time records.

13 THE COURT: Right.

14 MR. KLEIN: Verses a fee application. Now, you
15 understand, Your Honor, when you go to build a fee application,
16 we're talking about a six month fee period; you have to review
17 the actual time records --

18 THE COURT: Right.

19 MR. KLEIN: -- in order to build out the narratives.

20 THE COURT: Sure.

21 MR. KLEIN: And so that's what we've had. And I can
22 represent to the Court that in each of the line items that the
23 United States Trustee has highlighted in the objection that is
24 what was going on here, which is we were reviewing the time
25 records, and then we were building out, and reviewing and